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Needed Tools for Industrial Development Job Surveyed

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Development is an activity of many facets, which in concept and action requires the economist, the engineer, the scientist, the statistician, the banker, the entrepreneur, the manager, the city planner, and the public-relations man. It involves soil, climate, minerals, water, forests, industrial and consumer markets, transportation facilities, electric energy, manpower, vocational training, community facilities and services, freight rates, terminal facilities, industrial sites, industrial districts, schools, hospitals, housing, recreational facilities. For an area as large as a state or region, or the territory served by an electric utility or railroad, it involves all of these and others. For the individual city, it involves most of them directly and, in a broadly practical sense, the rest of them indirectly.

As a generalization, this point of view is "safe" enough. It is frequently stated. There is a little quibbling about it. To most people it is clear that, certainly in theory, in some vague way, all of these things do enter into development. But the man in charge of a development program, or the man close to him, sees this pretty sharply in his daily work. His job involves all of these things—it cuts across the whole field of business and industry, government, resources, manpower, and research. On the other hand, most of us in development work are more or less specialists. Not all of our specialties, as a practical day-to-day matter, cut across everything else. We may "feel" the theoretical reality of the multiphased nature of development, yet it is not always "real" to us.

Returning to our development man, again—this morning he had to track down the laboratory scientist for an analyis of the silica content of some sand for an industrial prospect who is a glass manufacturer. This afternoon, on behalf of a Chicago producer of tractor parts, he was trying to corner a labor economist to get a comparison of wage rates of machinists in Colorado and Illinois. Yesterday he prepared for the board chairman, or the mayor, or the governor, a memorandum on some proposal in Congress affecting industrial water studies of the U. S. Geological Survey. Tomorrow he has a conference with a committee on urban recreation programs. Nights he has been sitting in with a group trying to buy up and reserve some choice land for industrial sites—and to service them with rail sidings, water and sewer lines, access roads, and

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Recent Changes in Practices Of Management Reviewed

By FRANK DRUMB

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The subject "Management and Change" suggests that at some time we had "Management without Change," but I am afraid this situation never existed. We who are part of management are aware of the tremendous changes in management because we see them in our daily work.

Purchasing. Reflecting upon modifications in purchasing practices I have witnessed during more than thirty years of management in the paper industry, I can look back and see the traveling salesmen waiting patiently hour after hour on a hard bench to see our extraordinarily tough purchasing agent. Sales must have been hard to make in those days, but salesmen were just as resourceful and sometimes smarter than the purchasing agent and most of them found means of crashing that sonic barrier. Times have changed—today most aggressive companies have a reception room for salesmen. Magazines make the short waits less tedious. A receptionist apologizes for any delay, and frequently signs will request the caller to ask the receptionist to check if the wait has been too long.

In our case, while substantial purchases of such items as fuel oil, starches, clays, standard chemicals, and dyes are usually bought on price and quality, some of our major purchases do not go out for bid. A new paper machine may cost from one to two million dollars; here we are buying engineering, and we can only afford to buy from the best, regardless of the price; so we depend on the integrity of the company we are buying from, on the sales-engineering program which they submit, and on the knowledge that a thoroughly satisfactory product will be delivered. Logs, which used to be bought on the open market on the Columbia River, Puget Sound, or elsewhere, are no longer obtained in that manner. If you have fir and want hemlock, or if you have peelers or saw logs and want pulp logs, you trade with those who have what you want.

Selling. Selling, too, has changed. Not so many years ago there was a standard joke in the newspaper field to the effect that the country merchant who did not advertise might know what he was doing, but nobody else did. Advertising had not really taken hold, little mystery or color was put into it, and a full-page newspaper ad was quite a daring undertaking. We all know the change in this field.

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Recent Changes in Practices Of Management Reviewed

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Salesmen in our firm are carefully selected, largely from the graduating classes of colleges and universities. These trainees go through a nine-week course, during which they hear all the top executives in the corporation tell them what makes things tick, and then visit the woods and mill operations. This training program rivals in intensity and study requirements any nine weeks they may have spent in their college or university career. Refresher courses are planned for salesmen who have been in the field eight or ten years. A close follow-up is made on all salesmen to see that they are applying the training given them.

Hiring. What has changed in management? Almost everything. Some may remember when we used to go to the gate, pick out the first five or ten likely looking fellows and, after taking their name and age, without further ado, put them to work. This assumed that all the bosses' nephews had already been taken care of. What a simple and undignified procedure. Now all applicants get a chance; but before we hire them we want to know their IQ, what their psychological attitude is, what special interests they possess, what specific aptitudes they may have; if on top of that, the personal interview clicks, they may get a labor job. Our process is cumbersome but our intentions are the best. We want to put the round pegs in the round holes and we are spending some money to do it. The significant point is that the man who starts on the labor job does not stay there. He filters up through the organization into the mechanical and operating jobs; practically all of our mill managers today started with modest jobs at the bottom.

There was a time when even a college graduate had to go out and rustle a job for himself. What a change we have made here. Now we make pilgrimages to the colleges each spring and interview the upperclassmen—and they do the picking and choosing.

The good old days when we took a man out into the factory and pointed at a job, saying, "There it is—go to it," are pretty well ended. Many plants carry on quite an extensive indoctrination course covering safety, background of the plant and industry, labor agreements, plant rules, medical and health coverage, and general working conditions. Most plants at least explain the job and its hazards, and introduce the employee to his supervisor and fellow workmen. Such procedures result in better work, fewer accidents, and a lower turnover rate.

Safety. Our safety campaigns and safer equipment have made the maimed and crippled industrial worker an exception rather than the rule, and health and hospitilization service has unquestionably done much toward lengthening the average life of workers.

Promotion. Perhaps the most inspiring change comes in the recognition of the individual. The fact that you cannot keep a good man down was never so true as it is in industry today. We periodically rate our employees; if they have shortcomings these are discussed with them. Plans are made to strengthen their weak points, rather than let them blunder along through life only to find too late that a defect obvious to everyone but themselves has been blocking their progress.

Training courses within industry develop the art of public speaking, conference leadership, job training, and a host of other skills which insure all workers a better break. The days when a new employee had to learn everything for himself are, I hope, gone forever.

Employee rating has had, and is still having, an uphill fight. Too frequently it is misunderstood by both labor and management. Too often the motive is critical, and the goal seems to center on how much can be found wrong with the man. Even this motive need not be destructive, if with it is coupled a program to discuss with the individual his weaknesses and their correction. Admittedly, this requires a good deal of tact and good judgment; to be sure, there will be some heartbreaks on the way, for some people are not prone to admit any failings and few seek ways to correct their own shortcomings. Even these, however, are no worse off for the experience and for the few who can take help, and thus enhance their careers, the project more than justifies its existence.

Management Training. There has been a great national recognition of the need of better management over recent years. Intensified programs sponsored by the leading universities and the American Management Association should be a boon to the hundreds of thousands of stockholders of the big industries of the nation. Here their paid managers can get intensive courses in how to manage, and at the same time have the invaluable experience of trading management know-how with people in the same type of management positions in other industries located in other areas.

We make extensive use of this type of training. I expect to see the day when industry, in its own bailiwick, applies these programs to supervisors, dealing not only with general management problems but also with the day-to-day operating problems, which are often fumbled to the detriment of production and good employee relations.

Labor Relations. We run the whole gamut from the labor groups which do so little under union protection, and make that little so difficult to secure that they are rapidly pricing themselves out of the market, to those which give their employers 100 per cent cooperation, attempt no feather bedding, resist no improvement in equipment, and go so far as to take the initiative in making explanations to members in their own organizations who are blocking progress.

We have eliminated the unfair discharges which, before union, were common practice. We have eliminated the favoritism and injustices which crept into internal promotions. Cousins, nephews, sons, and brothers must get

ahead on ability and in their turn, and this has taken a good deal of the bitterness out of industrial work.

Grievances are discussed equitably with employee representatives, and means are provided to clear the slate, even if the case must go to arbitration. This has eradicated the smouldering unrest which always accompanies unsettled grievances.

There are all shades of satisfactions, or results, from union organization—certainly it has solved some of labor's difficult problems and created some new ones for the employer. A tough and unreasonable union can make life very difficult for management: and the national competition between unions to make the most liberal contract leaves industry in the middle.

Union power is a new weapon, but responsibility is a very leveling influence. Legislation which makes unions responsible for their acts and more seasoned leadership will no doubt do much to help this situation.

The employer too has much to learn. I clipped the following from the *Wall Street Journal*: "Bargaining Secret: Hit 'Em in the Taste Buds—One New England firm which meets monthly with union delegates to thrash out labor problems is trying 'gamesmanship'—the science of winning arguments by underhanded, but not necessarily dishonest, means. Several days before a particularly unpleasant subject is due to come up in a meeting the company cafeteria is ordered to load up the coffee with chicory. 'The boys start off the meeting so steamed up about the terrible coffee, they haven't got the strength left to argue their best on more important matters,' says an unblushing executive. This man has asked that his name, his firm's name, and the city in which his firm is located be withheld." This is one approach to settling grievances and to conducting labor relations, but I hope it is not a national pattern.

Most of the men you deal with are sound, industrious, and honorable: they are simply trying to earn as good a living as they can under as desirable working conditions as possible. Most of them understand little about how business operates and how much it earns, simply because most employers have failed to explain these things to them. Their own economists, who are tyring to make a job for themselves, have outlined the exorbitant profits earned by industry and, as their employer has told them nothing different, the employees naturally believe their own economist or their labor paper.

This, in my opinion, is where employers make a great mistake. Believe it or not, repeated surveys show that employees do believe what their employer tells them even if it directly contradicts their union paper.

These employees are just like the other people you deal with every day. They are honest, sincere, and cooperative if you give them the chance; but they do not want to settle a grievance, which is a serious matter to them, by being served unpalatable coffee nor do they want to be brushed off. Neither would you or I under similar circustances.

Admittedly, there are some unreasonable demands and some difficult people in the labor movement that must be dealt with. Surprisingly enough, however, employers also have some difficult people on their side who at times complicate matters. Usually an honest and sincere attempt to settle the reasonable requests tends to eliminate the unreasonable ones.

Research. In the field of research alone we are in an industrial revolution. In the chemical field it has become the most important factor of business, and few large industries operate today without an organized research program.

Preventive maintenance, a term practically unknown and a concept certainly rarely practiced a few years ago, has become quite broadly used and considered essential in most industries today.

"Automation" is a newly manufactured word required to meet the needs of changing industry. Plants which require a minimum of hand labor are operating and more are being developed. This is simply a reflection of great mechanical strides which make possible the creation of an entire unit with a single thrust of a press, or the complete solution of a most complex mathematical problem by pressing a few punch keys on a million dollar machine. This is an oversimplification, of course, but the whole trend of change is intriguing, complex, and terrific.

Cost Control. With all our change, and seemingly it is all for the better, it appears to me that in the field of cost control we have lost ground. True, probably more people have cost accounting systems because the tax setup requires it, but few people do anything about the facts they possess about their business. Too many people in management have come into jobs of responsibility since the depression. Those whose business training predated the depression have forgotten how we used to watch every nickel, how the addition of a man to the payroll was a consideration to be weighed carefully, and how the new pieces of equipment came hard and only after the existing equipment was beyond repair.

I can very well remember when we were going through the first stages of the 1930 depression, running short time and each person wondering when, and if, the axe would fall on him. A wage cut seemed inevitable. But one of our executives proposed that first we ask the mills how much could be saved by a rigid economy program; it was indicated that, if we could save as much by economizing as would be saved by cutting wages, we would have the opportunity of keeping our current rate. This survey showed that we could save $500,000 annually, which was sufficient. Never have we had more enthusiastic cooperation, and the wage cut was prevented. Any intensive survey today would reveal plentiful possibilities for savings of materials and manpower, if only someone was interested in undertaking it. Bonuses, price supports, and unbalanced budgets have dulled our interest in shrewd and economical management.

Calling in business consultants has become standard practice and, if we would benefit, we must accept and put into practice their recommendations. The bulk of these recommendations, however, are ideas which the consultants gather from our own employees—good ideas which we have refused or neglected to recognize.

There has been a great national apathy toward waste in government, which has unquestionably seeped into industry. Unlike the government, however, the bankers and stockholders of business firms will not accept annual deficits. As demonstrated by the New York Central, stockholders can change the management. In my opinion we are making one of industry's greatest errors in failing to upgrade and down price our products to better serve the public.

Public Relations. Each time I look at a new phase of management I think to myself, "here is the greatest change,"—but when I come to public relations I am sure we have moved farthest from our original thoughts.

Industry has gone from just about a complete dearth of public relations to where some of the large companies really do quite a constructive job. It has been a rough path. The industrial leader of relatively few years ago was an austere individual who had "no comment" on strike, fire, flood, or panic, and was publicly pictured as a ruthless tyrant—the scourge of widows and orphans. Even the good that this so-called tyrant did never reached the public ear, because of the reluctance to give the newspapers anything.

Public bitterness and some restraining laws apparently awakened industry to the fact that there were times in which they needed public support, so more aggressive companies hired a writer—a public-relations man—who kept newspapers informed of his firm's good deeds. Suddenly the industrial tyrant became pictured in the press as a kindly sympathetic individual—the epitome of public-spiritedness. The buildup was so good that industry had to live up to it, although probably for a decade or two there were some growing pains.

Today, industry is fully conscious of its responsibilities of being a good neighbor and a good citizen. Industrial firms support public causes without question. They encourage their officers and employees to take part in civic activities and, even though they may pay most of the taxes in the communities, they rarely resist any public move that has merit. They back good schools and well-paid teachers. They are liberal in their grants to colleges and universities. They encourage attendance at institutions of higher education by granting scholarships, and endeavor to aid these institutions by participating in their activities. After all, some of their best employees are going to be the graduates of those institutions.

Industry opens its mills to public inspection, and provides health and medical care to employees. In Washington and Oregon alone paper mills have expended more than $12 million in the last few years in combating stream pollution.

Changes in Public Attitudes. This era with which I have dealt covers principally the last thirty or forty years. We have had significant changes in management. We have had more significant changes in national thinking.

We are fortunate to be citizens and residents of a great nation—in fact, the greatest nation in the world. Without having the greatest amount of territory, without the greatest national resources, and without any particular natural advantages, the United States has become the mightiest of all nations.

Here is the greatest nation—one founded upon the premise that the individual could and should do his own thinking—a leader in literacy, manufacturing, living standards, health, agriculture, chemicals, and research—which has drifted a long way toward mass regimentation, apathetically groping for something called security.

I would call it a mass retreat from personal responsibility. Our forefathers went through some rugged times, and no doubt from time to time had to take off their coats, pull up their belts, and go to work. They did not have two cars in every garage or two chickens in every pot. Their fare was simple and their clothes plain and sometimes patched, but they did retain their personal pride and their independence. It took some sacrifices but it also inspired some industry and ingenuity—either or both are fundamental requirements for personal and national pride, progress, and prosperity.

I cannot subscribe to current views in some quarters that every time the national index drops a point, or a few men get out of work, we should rush in with a lot of make-work programs. National indexes are made up of many averages, some of which may rise while others fall. Some of us find it too pleasant drifting with the current and rush to the national treasury to make up every deficit in our personal budget. Our fathers and grandfathers gained most of their identity and security rowing upstream.

Suggestions. In closing, let me suggest: (1) Let us meet our employees' problems squarely, honestly, and sincerely—avoid the devious approach. (2) Let us upgrade our supervisors; for when we do, we simultaneously upgrade our industry. (3) Let us study and reduce our costs and our prices, for in this way we expand our market and improve our living standard. (4) If research will help our business, let us get started on it, however modestly. (5) Let us help in reducing tariff restrictions, and encourage international trade and understanding. (6) Let us tell our employees and the public the economic facts of industry—they are sound and interesting. (7) Let us be good neighbors in our community. (8) Let us tell the public the constructive things we are doing; it also helps employees to know that our industries are sound and progressive. (9) Let us encourage thrift and industry; it must be good, for it was the foundation of this great nation. (10) Let us encourage personal pride in independence—it is the soundest approach to "security."

Needed Tools for Industrial Development Job Surveyed

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power. The local school situation—especially the pupil-teacher ratio—has been worrying him (recently he lost an industrial prospect because of crowded schools). But it is hard for him to find time for all of this, because he has to make periodic trips to Philadelphia, Detroit, or Cleveland to call on manufacturers he feels ought to be building plants out this way, and to tell them why they should do so by giving them facts and figures on production materials, markets, purchasing power, labor supply, power rates, and transportation costs.

One of the major aspects of the development job is the problem of marshalling this variety of technical information and personal know-how into a given industrial development program, whether for the city, the utility, the railroad, the state, or the region.

How can this be done? Well, of course, it *is* done. Our harrassed development man is doing it, but with a lot of wear and tear. And if you would get him to pull the wish bone and tell you what he had wished, he would probably say he wished for something like this:

An office library with complete files and reports covering qualitative and quantitative analyses of the minerals

and the surface and ground water supplies of his territories; topographic maps and aerial photographs of all available industrial sites, and related data on land costs and utility and transportation services; comparative current data on labor supply and wage rates on a state and city basis; industrial location surveys of all his cities; regional maps showing railways, highways, waterways, and accompanying data on transit times and freight rates; overlays showing power generating stations and transmission lines, and their capacities; data on power rates; industrial opportunity studies; Census, Commerce, Federal Reserve, Labor Department and other business statistics; studies of industrial growth in other states and regions; trade journals from the chemical, metal-working, food, apparel, and other industries; financial journals; Moody's, Poor's and other business and industrial directories; Dun and Bradstreet's Reference Book with its analytical reporting service on individual companies. The list could be extended on and on.

Then, he would want a geologist, a metallurgist, a chemical engineer, a construction man, a finance expert, a traffic expert, a labor economist, an industrial economist, a marketing specialist, a city planner, a few *accurate* statistical clerks, some assistants of his own with the breadth and imagination to exploit this gold mine of books and files, and specialists for the kind of information needed to "sell" industrial prospects, and a flair for the right kind of salesmanship.

He is not likely to get his wish, at least not in this full-blown form. Functionally, however, it remains true that these are daily requirements in an industrial development program of any size and scope. They must be met in one way or another. In a number of companies, cities, and states they are met very well.

As a practical matter, it is not realistic to expect to equip, staff, and finance a development organization along lines of the wishful plan outlined above. Nor is it, perhaps, necessary. The books and files and experts exist, in greater or lesser adequacy, in almost any large city and in all our states. What is important is the provision of machinery and lines of communication to harness them together, and focus them directly on the task of planning the program, and on the day-to-day work with industrial prospects.

One of the places in which this functional need is met very well is in Kentucky, where it has been my privilege recently to be associated with a state-wide program vigorously at work. It may be of some interest and value if I describe some of its highlights.

It is an effective program. Since 1948, when it began, it has been directly or indirectly instrumental in the establishment of 330 new manufacturing plants, with a total private capital investment of about $550 million, creating roughly 44,000 new factory jobs. It is heavy in new capacity for the production of chemicals, steel, glass, automobiles and automotive component supplies, electrical equipment and supplies, electronics, and machinery. An important part of the growth is based on supplier-customer relationships between firms in the chemical, automotive, electronic, electrical-equipment, and other "growth" industries.

The program has at its core the Agricultural and Industrial Development Board of Kentucky, an agency of the state government with a budget which runs about $175,000 annually for salaries and general office operations. But the program is not just a state government program. It is a collaborative effort between the state, the electric utilities, the railroads, a state chamber of commerce, local chambers of commerce, and other local organizations. The industrial development personnel of these nongovernment groups and the personnel of the board can be found in working conference almost every day. They regularly join each other to escort visiting industrial prospects on inspection trips to Kentucky communities, or to fly off to New York or Chicago on selling trips.

Harking back to the wish-bone description of a development program: At the core of the core of the Kentucky program are the files and library of the board. Here, virtually completed, is a brand-new set of topographic maps covering the total land area of the state. These are complemented by recent aerial photographs, similarly extensive. This mapping is basic to all water and mineral investigations, to industrial site surveys, major construction, and much else. The mapping program, administered through the board with special funds, started virtually from scratch in 1949, and will have cost Kentucky well over $4 million, a sum matched by the U. S. Geologic Survey.

Actually, the files and library of the board answer pretty well to the inventory of materials our development man might have wished for. They carry a detailed picture of the minerals and industrial water supplies of the state, and industrial location surveys of 125 Kentucky communities. They are stocked with all of the standard statistical reference sources, specialized directories, studies, journals, and other literature and periodicals on major industries, markets, and finance.

The staff of the board does not quite represent the full complement of technicians and analysts listed earlier in this article. However, it does have two geologists, three plant location engineers, three economists, two research analysts, two city planners, a cartographer, some draftsmen, and a small bevy of stenographers.

But the staff of the *program* is considerably larger than the staff of the board, which, as I have said, is the core of the program, and the mechanism through which engineering, economic facts and figures, and technical know-how are harnessed and put to work.

In utilities and railroads, the program has staff support on technical matters of power supply, traffic, industrial site surveys. In the Kentucky Department of Economic Security, the program has staff personnel in the field of labor economics, for the heavy load of work on labor-supply and wage-rate studies. In the Kentucky Geological Survey, it has other experts on the various minerals important to Kentucky—coal, oil, limestone, salt brines, glass sands, fluorspar, clays; these men work jointly with personnel of the board on special analyses, and on a program of formal geological surveys and bulletins; the survey is partly financed from board funds. In the U. S. Geologic Survey, the program has, in effect, a field and laboratory staff of water experts for special surveys and analyses, under a matching-fund arrangement. In the Bureau of Business Research at the University of Kentucky the program has additional staff for special economic studies, several of which dealing with subareas have been jointly published by the board and the bureau, and for annual estimates of income on a county basis. At the College of Agriculture,

the program has additional staff in the fields of agricultural economics, agricultural processing industries, and land use, who have worked with board personnel on joint projects and publications. In other agencies of state government the program is supported by staff experts for problems of taxation, vocational training, stream pollution, recreation, and access roads, as they come up in the practicalities of industrial development work.

None of this is to imply that industrial development in Kentucky proceeds on the basis of some rigid government plan, whereby industrial development agents of chambers of commerce, railroads, and utilities make no move except through some commissariat in the Agricultural and Industrial Development Board. Indeed, an occasional out-of-state firm has slipped into Kentucky to build a new plant without contacting any of them. And the industrial development agents of private organizations frequently, of necessity, negotiate with an industrial prospect independently of each other and of the board. More often than not, however, it is a joint proposition. And, with the constant enrichment of the engineering and economic information developed by the board on a state-wide basis, it is a rare instance in which a new plant settles in Kentucky without utilization of that data in its plant location study.

The central contribution of the state government in Kentucky to industrial development of the commonwealth within the last six years has been the collection and organization of the required facts and figures, and the establishment of the machinery through which knowledgeable people can work. Recently, an official of one of the major trunk-line railroads operating in the South spent most of a lunch hour telling some of us how much the industrial development work of his company has been strengthened in Kentucky by virtue of the contribution of the board, illustrating his points with examples of their trials and tribulations in securing adequate plant location information in Kentucky prior to 1948.

He made the further pertinent comment that much of the technical data required in industrial development work —economic statistics, mapping, minerals and water information, and much else—is of a type which a private business firm cannot very well provide for itself. They are data which, because of the multiplicity of uses, the nature of their sources, the scope of their coverage, or the requirements of comparability, fall properly in the category of public information, to be collected, maintained, and disseminated through the instrumentality of government.

Below the level of our Federal government, with its vast facilities for data collection, are the states. And with respect to industrial development, it is perhaps appropriate that the primary responsibility of state government should be to see to it that the richest possible collection of the necessary information be centrally collected and maintained for the use of all who are at work in the field.

It will pay off, as it has in Kentucky. Doubtless, if you were to check on all of this with the executive director of the Kentucky board, he would tell you there is still room for improvement, that nothing is ever perfect, that not everything has been done that should be done, and that not everything has been done as well as it could be done. However, the essentials are there.

Many areas and regions of the country heretofore predominantly agricultural, or otherwise underindustrialized, face an era of continuing industrial growth. As manufacturers see profitable opportunities for expansion of capacity, the tendency is to build plants outside the older large industrial centers, to go to the smaller towns or to outlying regions. The movement of population westward, the growth of income and markets in the South and West, also play their part. Some of the new technology in metals and chemicals require minerals and other production materials which, if not exclusively available in some of our underindustrialized regions, are more economically available there. Such regions possess resource endowments only partially developed, except perhaps for agriculture.

If this is true, we who are with industrial development organizations and agencies in these regions have a rewarding job ahead of us. In performing it, most of us would like to think we were doing something more than bringing a new payroll to town. We would like to think that we were not profiting at the expense of some state or city further east. New England, for example. In this we can be reassured. For the figures show that, by and large, new plant location does not involve boarding up of factories elsewhere, but rather, in this period, a very large net increase in the capacity of manufacturing industry nationally. We have seen what this can mean in terms of jobs, wages and salaries, business profits, and a better living for everyone. Though nobody wishes to see this capacity put to less happy uses, we also have seen what it can mean to national security.

The only three areas of North America and Europe not accessible today by railways and highways are the wilderness sections of northern Canada and Alaska and remote regions of Scandinavia.

In England employer pension plans commonly provide survivors' benefits as well as retirement pensions, while in our country such plans including provision for survivors are the exception.

Housing Starts. Home construction for the entire United States is of great importance to Oregon because of the large proportion of our lumber production that is used in homes. It is of considerable importance to the economy of the state that, although nonfarm housing starts in the United States declined 3 per cent in January 1955 compared to December 1954, they were 33 per cent above the January 1954 level, according to Bureau of Labor Statistics estimates. In fact, the number of new dwelling units began in January was the highest for any January on record.

Privately owned housing starts alone numbered 87,200 in January 1955. On a seasonally adjusted basis, according to a Bureau of Labor Statistics report, this represented an annual rate of 1,424,000 starts, slightly under the annual rate for December 1954 (1,473,000), but greater than for any other month since August 1950.

January activity was ahead of December in many parts of the country. The number of new units for which building permits were issued was considerably higher in January than in December in the Southern, Southwestern, and Mountain states. This suggests not only a January gain in housing starts for those regions but also continued strength in housing activity during February, when many of the units authorized in January will get started.

On the other hand, January permit volume was down substantially throughout the northern sections of the country, where house-building activity normally is affected by extremes of winter weather, as well as in the Far West, where weather conditions were unusually severe.

Public housing authorities began construction of about 200 new units last month, compared with 1,400 in December 1954 and 1,300 in January 1953.

Industrial Production Figures Show Last-Quarter Advance

Industrial production in the United States showed a marked advance during the last three months of 1954. The improvement from the third to the fourth quarter of 1954 was most pronounced in the durable-goods industries. The substantial pickup in motor-vehicle assemblies which began in the middle of October, together with the associated stimulus to activity in steel and other related industries, contributed importantly to the rise in total output.

Completions of cars and trucks increased from a low of 288,000 in October to 600,000 in November and 730,000 in December. The steel industry, which supplies approximately one-fifth of its finished steel output to motor-vehicle producers and has also benefited from elimination of inventory liquidation in a number of consuming industries, expanded its operations from a July-August average of 63 per cent of rated capacity in place on January 1, 1954 to an average of 79 per cent in December.

From October to November, when most of the recent advance occurred, the rise in output in these two basic industries accounted for nearly three-fourths of the rise in the index of total industrial production and for all but a small part of the total advance in the durable segment.

Production increases in other segments of manufacturing from the third to the fourth quarter were numerous but generally moderate. However, construction materials, electrical equipment, and some other industries showed important gains. Minerals output remained unchanged, as declines in metal mining and stone and earth materials were offset by rising activity at coal mines.

The recovery in electrical equipment from the relatively low volume of the first half of 1954 largely reflects the substantial pickup in output of television and radio sets and tubes which had turned down markedly in the closing months of 1953. In contrast, activity in industries producing nonelectrical machinery showed little change as divergent movements canceled out.

Production gains were registered in industries producing electronic computing machines, office and store machines, tractors, and farm equipment. On the other hand, decreases were noted for machine tools and many types of industrial machinery, a reflection of the tapering off of capital outlays for new plant and equipment and reduced military requirements.

The machine tool industry, a key segment in the machinery group, operated at a generally declining rate throughout the year, with current backlogs equal to only three months work at the present rate of shipments.

Production of aircraft was maintained at a high rate, while activity in plants producing railroad equipment was reduced to the lowest point in the postwar years, though there has been some improvement in new freight-car buying by railroads in recent months.

With peak construction activity, output of building materials as a whole continued in large volume. A part of the rise in output from the third to the fourth quarter, however, resulted from the settlement of a labor-management dispute in the lumber industry.

The increase in output of nondurable goods from the third to the fourth quarter of last year was about half that in durable manufactures. Fluctuations in this group are usually much less than in hard goods, because of the relatively steady demand for such consumer items as food, beverages, tobacco, shoes, newspapers and publications, and refined petroleum products, which together account for roughly two-fifths of the nondurable goods index.

Among tobacco products, cigarette consumption has declined for the second consecutive year. Last year's consumption represented a decrease of around 5 per cent from 1953 and close to 7 per cent from the 1952 high.

The rate of operations in textiles and apparel and paper and printing advanced in the fourth quarter. Improvement in textiles and apparel was general; mills consumed more raw cotton, production of synthetic fibers was up, and output of men's and women's clothing showed a more than seasonal rise.

Recovery in the consumer durable-goods industry was sharp in November and December of 1954, after remaining well below 1953 volume in the preceding ten months. Virtually all of this recent increase was attributable to the expansion in passenger car assemblies, since output of all other consumer durables showed little change.

The wide swings in a passenger-car assemblies in the last half were influenced to a considerable extent by the changed timing of the model change-over season. The passenger-car curve in recent months is much affected by the shift. In September and October 1954, the peak period of the change-over, large-scale plant shutdowns reduced assemblies to an exceptionally low volume. At the same time, retail sales were being maintained at a relatively high rate, with the result that inventories of unsold cars were rapidly reduced. In November and December, consumer purchases of the new 1955 model cars were running considerably above year-ago levels, but some buildup of dealers stocks was possible. At the end of December, however, the number of new cars held by dealers was low for this time of year.

Passenger-car output in 1954 totaled 5.5 million units, a decline of 10 per cent from 1953.

Production of major consumer durable goods other than autos was cut back sharply in the last half of 1953. While output held at the reduced rate through the early months of 1954, sales continued at a higher level, with a resultant reduction in overall stocks of consumer durables held by manufacturers and distributors. Production began to rise in the second quarter, continued steadily upward through September, and then leveled off in the remaining months of the year at a rate 10 per cent above the October-December volume of 1953. For 1954 as a whole output was 8 per cent under the 1953 volume.

Aggregate dollar purchases by consumers of furniture, appliances, and other consumer durable goods were maintained approximately at the 1953 rate and on the average showed little change from quarter to quarter. The physical volume of consumption, however, was actually somewhat higher than in 1953, since a moderate decrease in retail prices of these lines occurred during the year.

The production pattern for the major product groups which comprise the "all other" consumer durables index was by no means uniform. For most product lines, however, output in October-November was slightly above the third quarter of 1954 and with one exception moderately above the final three months of 1953.

CURRENT BUSINESS TRENDS IN OREGON

Employment. The number of nonagricultural workers employed in Oregon declined 5.0 per cent (23,000) between mid-December 1954 and mid-January 1955. The losses were scattered over nearly all industrial categories, the largest decline being in logging and sawmills (4,900), canning and preserving (2,000), retail trade (8,600), and government (3,000). There were no sizable gains. The 5.0 per cent decline compares favorably with a 6.5 per cent drop between December 1953 and January 1954. Employment this January was 2.5 per cent higher than in January a year ago. More detailed data supplied by the Oregon State Unemployment Compensation follow:

	Jan. 1955	*Dec. 1954*	*Jan. 1954*
Lumber & wood products	73,700	78,500	65,800
Food & kindred products	13,100	15,800	13,100
Other manufacturing	40,300	40,400	41,400
Total manufacturing	127,100	134,700	120,300
Contract construction	19,500	20,900	18,100
Retail trade	75,300	83,900	76,500
Government	74,300	77,300	71,200
Other nonmanufacturing	141,000	143,400	140,600
Total nonmanufacturing	310,100	325,500	306,400
Total nonagricultural employment	437,200	460,200	426,700

Index of Man Hours in Manufacturing. One of the most common indicators of the volume of manufacturing activity is the man hours of industrial production workers. These figures apply only to personnel engaged in direct manufacturing activities; sales, office, and general administrative employees are excluded. The index is derived by the Bureau of Business Research from data supplied by the Oregon State Unemployment Compensation Commission. The index reading for Oregon in December 1953 was 83.7; in December 1954, it was 90.4, an increase of 8 per cent.

Multnomah County Real-Estate Transactions. During January 1955 there were 1071 real-estate sales amounting to $9,968,380 in Multnomah County. Of these, 798 involved residences, the sales price of which was $7,904,940; 242 vacant properties, $743,607; and 31 were business properties, $1,320,373. Additional figures are:

	Jan. 1955	*Dec. 1954*	*Jan. 1954*
Number of sales	1,071	957	874
Value of sales	$9,968,380	$9,856,967	$8,307,595
Number of mortgages	1,188	1,216	826
Amount loaned	$11,404,322	$10,230,771	$6,001,296
Number of sheriff's deeds	7	5	3
Amount of sheriff's deeds	$39,572	$38,235	$20,692
Average residential sales price	$ 9,906	$ 9,914	$ 9,017

Business Failures. Dun and Bradstreet's series showing commercial failures is frequently considered an indicator of business health. Figures for Oregon are given below:

	1954		*1955*	
	No.	*Liabilities*	*No.*	*Liabilities*
January	9	$ 219,000	8	$160,600
February	14	986,000	.....	.....
March	12	1,332,000	.....	.....
April	8	169,000	.....	.....
May	12	636,000	.....	.....
June	14	316,000	.....	.....
July	12	392,000	.....	.....
August	3	25,000	.....	.....
September	5	113,000	.....	.....
October	9	405,000	.....	.....
November	2	38,000	.....	.....
December	8	215,000	.....	.....

BANK DEBITS

Bank debits represent the dollar value of checks drawn against the deposit accounts of individuals and business firms. Bank debits are regarded as good indicators of current business activity, although their value for this purpose may be impaired by the inclusion of large checks arising out of transfers of funds or the purchase of certain types of capital assets that do not constitute "business activity." The Bureau of Business Research collects bank debits from 118 banks and branches monthly.

Marketing Districts	*Number of Banks Reporting*	*Debits Jan. 1955*	*Debits Dec. 1954*	*Debits Jan. 1954*	*Jan. 1955 Compared with* *Dec. 1954*	*Jan. 1954*
Oregon	118	$1,358,817,132	$1,473,051,359	$1,266,186,668	− 7.8	+ 7.3
Portland (Portland, Hillsboro, Oregon City, etc.)	31	835,978,126	920,811,455	814,082,080	− 9.2	+ 2.7
Lower Willamette Valley (Salem, McMinnville, etc.)	16	112,387,338	121,097,917	100,176,967	− 7.2	+12.2
Upper Willamette Valley (Albany, Corvallis, Eugene, etc.)	17	137,651,258	137,974,780	110,017,101	− .2	+25.1
North Oregon Coast (Astoria, Tillamook, etc.)	4	18,089,269	19,201,279	20,030,285	− 5.8	− 9.7
Douglas, Coos Bay	9	45,673,784	47,869,107	39,481,169	− 4.6	+15.7
Southern Oregon (Ashland, Medford, Grants Pass)	6	54,826,797	61,764,419	47,586,669	−11.2	+15.2
Upper Columbia River (The Dalles, Hood River, etc.)	7	29,304,613	27,799,554	23,007,874	+ 5.4	+27.4
Pendleton area	6	25,611,143	28,837,309	23,879,905	−11.2	+ 7.2
Central Oregon (Bend, Prineville, Redmond)	5	21,455,048	25,219,799	21,669,809	− 3.0	+12.9
Klamath Falls, Lakeview area	5	31,419,523	32,270,915	27,519,583	− 2.6	+11.2
Baker, La Grande area	7	24,398,302	27,549,314	21,657,145	−11.4	+12.7
Burns, Ontario, Nyssa	5	19,018,931	22,655,511	17,317,781	−16.1	+ 9.6

BUILDING PERMITS

Building permits give an indication of building operations planned rather than actual construction under way. Care must be taken in interpreting these data to allow for the lag which may elapse between the issuance of the permit and the beginning of actual construction. The data have been collected by the Bureau of Business Research.

	New Residential Jan. 1955	*New Non-residential Jan. 1955*	*Additions, Alternations & Repairs Jan. 1955*	*Totals Jan. 1955*	*Totals Dec. 1954*	*Totals Jan. 1954*
Albany	$ 61,600	$ 87,200	$ 17,100	$ 169,200	$ 61,800	$ 63,800
Astoria	.....	.....	3,975	3,975	12,520	7,250
Bend	.....	800	9,610	10,410	45,467	15,390
Coos Bay	.....	900	3,475	4,375	116,839	18,619
Corvallis	171,500	9,500	10,135	191,135	80,600	9,109
Eugene	23,000	89,300	37,070	158,370	152,120	152,273
Forest Grove	30,500	.....	1,800	32,300	35,930	39,500
Grants Pass	27,050	5,300	20,555	52,905	72,620	27,230
Klamath Falls	.....	.....	2,980	2,980	11,620	13,500
La Grande	6,500	.....	8,200	14,700	29,250	5,560
Medford	98,500	20,785	33,899	153,184	89,725	116,919
Milton-Freewater	16,000	100	32,700	49,000	2,000	65,628
North Bend	11,000	125,009	8,078	144,087	256,350	5,669
Oregon City	68,500	800	6,115	75,415	2,925	3,100
Pendleton	351,000	1,500	11,580	364,080	243,900	33,200
Portland	1,121,700	386,275	626,760	2,134,735	3,646,935	2,113,780
Roseburg	89,200	2,750	26,290	118,240	173,459	91,737
Salem	221,200	18,750	57,615	297,565	196,667	383,015
Springfield	87,300	.....	111,250	198,550	19,925	76,150
The Dalles	24,310	2,800	4,125	31,565	120,277	15,962
23 other communities	207,700	86,650	101,626	395,976	271,515	298,315
Totals	$2,619,590	$847,719	$1,135,568	$4,602,877	$5,974,611	$4,121,647